PROFITABLE FACTS, TRENDS, IDEAS, PRODUCTS FOR THE GROCERY INDUSTRY

Supermarket Business

FORMERLY SUPERMARKETING

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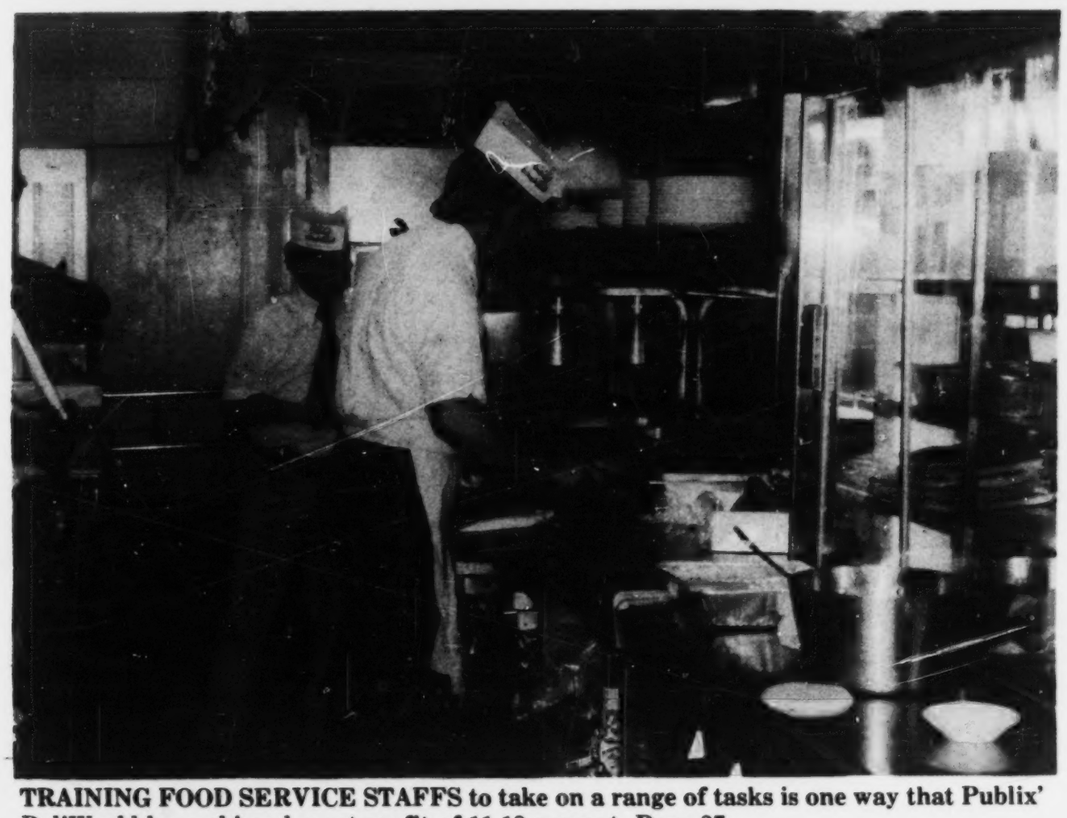

TRAINING FOOD SERVICE STAFFS to take on a range of tasks is one way that Publix' DeliWorld has achieved a net profit of 11-13 percent. Page 37.

Foodservice Boosts Volume Up to 40% for Some Chains

by Roberta Walton, field editor

DALLAS—Of the 50 top supermarket chains, 36 percent have opened or are about to open foodservice operations in the form of snack bars, buffets or restaurants, a SUPERMARKET BUSINESS survey has found.

Nearly all of the chains that have experience with such operations realized a healthy profit within the first year, and for some the food service has increased their total volume by up to 40 percent.

More detailed interviews with 13 majors that provide a variety of food services revealed that for 11 chains the heaviest activity is in snack bar/deli combinations.

The degree of involvement with the concept ranged from experimentation by two of the companies to fully established operations in more than half of the stores run by the most heavily involved chains.

Since most of the chains began these operations relatively recently—from the middle '60's on—corporate spokesmen stressed that learning through experimentation is still the name of the game.

A common denominator for success in these operations is hard to find. Factors such as location, management philosophy and restaurant design vary greatly from store to store. The variables are as numerous as the choices on the most diversified menu and the foodservice director must be selective in what he orders.

For chains operating food services, customer convenience is a main objective. A one-stop shopping service that lets the customer shop *and* take a break to eat is a popular theme expressed by chain representatives.

Under the management of Bruno's Inc. (Birmingham, Ala.), three experimental snack bars which opened in 1979—in Chattanooga, Tenn.; Oglethorpe, Ga.; and Bessemer, Ala.—were planned for consumer convenience.

"Our stores are designed to draw cus-

■ *Continued on page 34*

Stress 'Fresh': Key Ingredient For Higher Restaurant Sales

by Carol Fensholt, managing editor

PHOENIX—If you're a grocer who's been thinking about opening a restaurant, this may be your year.

Why? Restaurant sales were flat last year for the first time, not because the "eating out" trend has slowed, but because most fast food outlets do not offer what consumers en masse have begun to look for: Freshness, premium quality and nutritional completeness.

Supermarkets, with ready access to the freshest ingredients and the know-how to manage them, are in the ideal position to take immediate advantage of the trend, filling the gap first.

These assessments are made by Charles Harper-Smith, director, foodservice division, for P.K. Halstead Associates, a restaurant consulting firm. "The freshness trend is becoming more and more important as the American consumer becomes more concerned with quality than price," he says.

"Though foodservice as a whole showed no growth last year, those fast food operators who stress freshness are doing very well. Others—and this is many—have fallen off."

Also looking ahead at the energy situ-

■ *Continued on page 35*

SB Survey Shows Spurt in Scanning For Small Chains

by Bruce Buckley, editor and Robert A. Leibson, market research director

NEW YORK CITY—The commitment to scanning by smaller supermarket chains will make great strides in 1980, according to a survey of top executives conducted by SUPERMARKET BUSINESS.

The survey showed that of the 47 companies whose execs responded, the number with one or more scanning stores will double this year—from 18 at the end of 1979 to 36 by Dec. 31.

The findings thus give strong indication that some of the fears of smaller firms about the financial justification for scanning are evaporating as the positive results throughout the industry continue to build.

Many execs who responded to SB's survey on critical issues saw scanning as a significant way to sharpen their productivity efforts all around—from better labor scheduling to tighter in-

■ *Continued on page 16*

Self Insurance Plus Safety Can Put $$ in Your Pocket

by Elise J. Marton, associate editor

Improving safety conditions and establishing self-insurance programs are two ways retailers and wholesalers are coping with ever-rising costs of workers' compensation.

Though the object is the same, these approaches follow two different paths. Improving store safety and workers' safety consciousness is mainly a matter of day-to-day operations, aimed at reducing claims and making the company a lower insurance risk. Self-insurance, on the other hand, is a matter of financial management. It is aimed at maximizing the use of company insurance money by investing it rather than letting it sit idle.

SUPERMARKET BUSINESS spoke recently with executives at three grocery chains and one wholesale company, to find out more about their efforts to hold down workers' compensation costs. SB's findings are reported in the following two articles.

EAST PROVIDENCE, R.I.—If you directly involve your store and warehouse workers in a program of safety improvement, you'll not only get some valuable suggestions from them, you'll also make your employees more safety-conscious and less likely to be injured on the job.

This is the logic behind the safety programs being run by management at Almac's, Inc., headquartered here, and at the Philadelphia-area distribution

■ *Continued on page 23*

SUPERIOR, Wis.—Self-insurance programs are allowing some grocery retailers and wholesalers not only to keep the lid on the cost of workers' compensation, but also to achieve tighter control over their finances and greater flexibility of their cash flow.

Though the details vary from plan to plan, self-insurance generally requires that a company, instead of paying monthly insurance premiums to an outside insurer, put money into a fund out of

■ *Continued on page 23*

One Way to Profit From Idle Space: Rent It to a Bank

by Bernard J. May, vice president, Howard L. Green & Assoc.

BIRMINGHAM, Mich.—Unused or underproductive space in your store can generate $10,000, $15,000, even $25,000 yearly for you, if you price it aggressively and lease it to a bank looking for a location for an in-store branch or automated teller machine. In the process, you'll be providing an extra convenience for your shoppers.

To date, supermarket banking has largely focused on the electronic (EFT) services which stores can provide their

■ *Continued on page 18*

* based on 47 replies
% of execs rating issues as "very important"
Source: Supermarket Business

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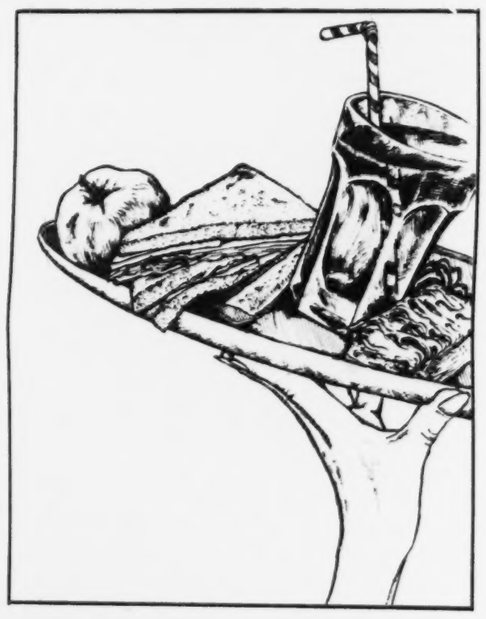

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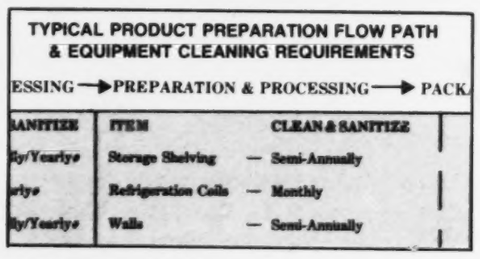

The Publisher's View

Fast Food Competition: Shoe Now On Other Foot?

by Howard Rauch

Biting one's nails over the impact of fast food competition was a "favorite" occupation of many supermarket operators during the 70's. But in the 80's recent developments suggest that nail-biting roles may be reversed. Perhaps fast food operators will be worrying more about new competition from grocery retailers.

This is a conclusion I have drawn—right or wrong—after reviewing extensive work on fast food trends just completed by our editorial staff. You can read all about it in the special section beginning on page 33.

Why do I think fast food chains will worry more? First, there are indications that their business has been flattening out of late. And when business flattens out, you see more of what I'll call enforced diversification.

Suddenly, more burger and steak operations are into the seafood business. Then there is the vigorous "salad bar battle" which more fast food chains will wage—at least in 1980.

And as final thought, while we in the grocery business are all too familiar with the Chapter XI traumas of the 70's, there is some suggestion that fast food chains may get a heavier dose of financial woes in the 80's.

One administrator of that dose should be supermarket chains. This may not necessarily be because suddenly supermarkets have multiplied the number of in-store restaurants they operate. That isn't true yet, although there will certainly be more in-store eateries before this year is out.

But more food stores have gotten their act together in terms of service delis, bakeries and take-out departments. And those retailers that run stores big enough to house in-store restaurants—providing the required expertise exists—have had few regrets.

In-store restaurants are probably not for everybody. Snack bars may have more merit...but in either case, some experts recommend that supermarketers must research very carefully before going either way. The decision cannot be influenced—as too many decisions have been in this industry—by the fact that "my competitor is doing it."

Meanwhile, some observers are touting in-store dining as a viable addition for those who believe in the age of one-stop shopping. And I expect that this will work if an individualized approach is followed.

That is, we will not be able to mold a universal plan-o-gram for a restaurant that works in all stores. The hash house/short order approach may do the trick in some locations. But more gracious luncheon dining—with innovative atmosphere included—will be called for in other instances.

I have still not worked out the implications of a "dine and shop" promotion for food stores, but when I do, you will be the first to know.

Yes...I do believe the competitive shoe will be on the grocery industry's foot in terms of fast food operations. The fast food industry may have to cope with more of what the grocery business faced in the 70's. Costs of eating out are starting to add up. Competition is razor sharp.

Will more fast food chains try to buy supermarket operations as a result? That is another story for another time, but nothing is beyond reason.

Let's talk briefly about "adversary situations"—a popular subject that is all too often presented via a one-way street viewpoint.

That is, at industry conventions, it is usually the manufacturer that is cast in the adversary role. Why is that? Don't retailers and wholesalers also create adversary situations?

When one talks about industry cooperation, doesn't that suggest that everybody has to bend a little...and that the onus isn't just on manufacturers in this regard?

With food business as flat as a pancake, and with another weary year of inflation in the offing, we can expect that many innovations to combat this trend—in products and services—will come from manufacturers.

It takes two parties—at least—to produce an adversary encounter, and I urge those buyers who berate manufacturers on this score to do some introspection to see how many thorny situations are store-generated.

In the very tough 80's, we need all the help we can get. So we should all be concerned with making it more palatable for our industry to tackle the toughest merchandising challenges on a united front basis. ■

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Survey Shows Lively Interest in Foodservice

■ *Continued from page 1*

ventory control to verification of director store deliveries.

The survey also showed a strong interest on the execs' part in adding to their companies' foodservice operations in the coming year.

Among the findings:

■ The number of their stores with bakeries on premises will increase this year from 270 to 306—a 13.3 percent growth.

■ Stores with full deli departments will increase by 9.3 percent—from 432 at the end of 1979 to 472 by Dec. 31.

■ The number of stores with snack bars will jump from 23 to 32 (+39.1 percent) and serviced fast food restaurants from nine to 13 (+44.4 percent).

Results from the rest of the survey produced few surprises. Profit squeeze was the number one worry of the 47 responding chain execs.

Almost 90 percent rated that key issue as "very important." What's more, the cost of labor and of energy, both intimately tied to profits, ranked second and third, respectively, on the critical issues list.

Profits, labor and energy were followed by four others listed as "very important" by more than half the executives. These were: finding and training productive, honest employees (70.2 percent); finding most profitable store format (66 percent); security problems (51.1 percent); and soaring cost of merchandise (51.1 percent).

Changes Are Minimal

In comparing these results with those from last year's survey, it is clear that the chief concerns of grocery execs haven't changed much in the past year.

In 1979, the three top issues were the same, except that labor costs headed the list last year, followed by profitability and energy costs.

How do the execs deal with these tough financial challenges? In a variety of ways, the survey found, but the twin threads running through their responses were similar: sell more product and control spiraling costs.

"We're enforcing a labor-control goal of $85 per man hour," the president of a large Michigan chain said in explaining what his company is doing to control labor costs.

"Use more part-time help, fewer full-timers," another exec suggested.

"Sell union stores or close them," was the blunt proposal of a Minnesota operator.

Good Marks to GM

With a few exceptions, the execs gave good marks to general merchandise as a profit-generating department within the supermarket.

More than 74 percent responded positively to the statement, "Supermarkets should expand GM/HBA offerings, since they are the best route to growth and have greater profit margins."

But 91.5 percent said that supermarkets "should do a better job of weeding out slow-moving GM/HBA items."

These percentages, and others in the

■ *Continued on following page*

Q. "How important are each of the following key issues facing you as you enter the 1980's?" (Ranked in order of "Very Important")

(based on 47 replies)

	Percent of Respondents				
	Very Important	Moderately Important	Somewhat Important	Not at All Important	In Top 3*
Increased profit squeeze	89.4%	10.6%	0.0%	0.0%	61.7%
Cost of labor	83.0	17.0	0.0	0.0	61.7
Cost of energy	76.6	21.3	2.1	0.0	48.9
Finding/training productive, honest employees	70.2	25.5	4.3	0.0	31.9
Finding most profitable store format	66.0	23.4	10.6	0.0	8.5
Security problems	51.1	40.4	8.5	0.0	12.8
Soaring costs of merchandise	51.1	27.7	17.0	4.2	14.9
More government regulations	40.4	29.8	27.7	2.1	12.8
Merchandising	38.3	51.1	10.6	0.0	2.1
Managing limited store space	36.2	46.8	12.8	4.2	4.2
Advertising/Promotion	34.0	42.6	21.3	2.1	2.1
Increasing competition from alternative format stores	25.5	55.3	19.2	0.0	12.8
Scarcity of capital	25.5	46.8	25.5	2.2	8.5
Public relations	21.3	48.9	29.8	0.0	4.2
Intensifying union pressure	21.3	42.5	31.9	4.3	4.2
Slow delivery/Out-of-stocks	12.8	42.5	40.4	4.3	0.0
Competition from fast food outlets	12.8	38.3	48.9	0.0	4.2
Pressure from consumers about prices	10.6	46.8	34.1	8.5	4.2
Nutrition	4.3	21.3	68.1	6.3	0.0

*In answer to question, "Of the issues you ranked as very important, which do you consider the 3 MOST CRITICAL?"

Q. "Approximately what portion (%) of your security losses* in 1979 was accounted for by each of the following?"

(based on 21 replies)

	Percent of Total Loss
Employee theft	30.3%
Shoplifting	30.3
Bad checks	18.6
Vendor Theft	16.7
Burglary-robbery	2.3
Other losses	1.8
Total	100.0%

*Merchandise losses estimated at retail value.

Q. "Do you plan to increase your security personnel in 1980?"

(based on 40 replies)

	Number of Companies	Percent of Response
Yes	17	42.5%
No	23	57.5
Total	40	100.0%

Q. "How many of your stores will have each of the following types of 'food service' installations at year end 1979? At year end 1980*?"

(based on 47 replies)

	Percent of Stores		Number of Stores		Percent
	year-end 1980*	year-end 1979	year-end 1980*	year-end 1979	change '80*-'79
On-premise bakery	37.5%	34.9%	306	270	+13.3%
Full "deli" department	57.9	55.8	472	432	+ 9.3
Snack bar	3.9	3.0	32	23	+39.1
Serviced fast food restaurant	1.6	1.2	13	9	+44.4
None of above†	5.6%	6.1%	46	47	- 2.1%
One or more of above	94.4	93.9	769	727	+ 5.8
Total	100.0%	100.0%	815	774	+ 5.3%

*Expected.
†Represents 6 companies or 12.8% of responding companies. 41 companies (87.2%) have one or more of these installations.

Characteristics of the Sample

Replies from presidents and other major executives of 47 grocery chains operating	774 stores
Number of stores per responding chain	16.5 stores
Average 1979 sales per store	$ 4,767,000
1979 sales volume for sample	$ 3.690 billion

Respondents' stores by 1979 sales volume:	Number of stores	Percent of response
Under $1 million	13	1.7%
$1 million-$5 million	294	38.0
Over $5 million	467	60.3
Total	774	100.0%

Respondents' stores by size and type, in 1979:	Number of stores	Percent of response
Superstores (over 35,000 sq. ft.)	32	4.1%
Intermediate stores (25,000-35,000 sq. ft.)	358	46.3
Supermarkets-conventional (to 25,000 sq. ft.)	352	45.5
Convenience stores	9	1.2
Warehouse stores	17	2.2
Limited assortment stores	2	0.2
Other types not listed above	4	0.5
Total	774	100.0%

Respondents' increase in sales per store:	
1979 vs. 1978	+10.5%
expected 1980 vs '79	+12.5%

■ *Continued from preceding page*

GM/HBA portion of the questionnaire, are remarkably similar to the results from last year's survey of top execs.

For example, 91.5 percent of the respondents last year also felt that supermarkets could do a better weeding-out job.

A few companies, however, continue to be holdouts when it comes to GM/HBA.

Of the 47 responding executives, four said yes to the statement "Supermarketers should stick to foods. It is the merchandise they know best."

"It's okay for some, but not for us," said one exec from a small Indiana chain. But he added: "Future trends could change this."

Security Losses: 2 Main Factors

In the security section of the survey, employee theft and shoplifting ran a dead heat as the main causes of loss. Each accounted for an average of 30.3 percent of the stores' total security losses, the results showed.

Bad checks (18.6 percent of total security losses) and vendor theft (16.7 percent) ran third and fourth. Burglary/robbery and "other losses" were negligible factors, according to the survey.

How are the chains coping with these losses?

Better employee screening and training and beefed-up security forces were the two security measures mentioned most often by the execs.

Other steps included tougher check-cashing policies, use of polygraph and pencil and paper honesty tests, closed circuit television, and tighter store door delivery surveillance.

79% Feel Competitive Pressure

On the question of competition, 37 of the execs said they were feeling pressure from other types of stores. Ten said they were not.

Superstores and warehouse stores were the types cited most often. Almost 46 percent of those execs who said they were getting "serious competition" identified the source as stores over 35,000 square feet in size. Close to 38 percent said their competitive headaches were coming from warehouse stores.

Following in order of importance as competitive forces were limited assortment stores (10.8 percent); intermediate stores (25,000 to 35,000 square feet) and conventional supers (both 8.1 percent); and convenience stores (5.4 percent).

Of all the issues, the question of generics produced the most negative comments.

Although 50 percent of the 44 execs who responded to questions on generics said they carry such products, many of the comments were downright hostile.

"I dislike the fact that any product should be sold in the American supermarket without an identifying label of the manufacturer or distributor," said the president of a large Michigan chain whose stores don't carry generics.

I think it will pass," an exec from a small Utah chain said.

"Poor quality—only attracts 'cherry-pickers,'" said another.

"They duplicate private label and are not a real saving for the consumer," was the comment of a third.

The president of a Michigan chain said that while "we are not big believers in generics," the company is willing to buy such products if they are a good value. But he said he doesn't foresee any great growth in generics.

On the other hand, the president of a large Florida chain said he expects generics to "expand slowly."

And another exec pointed out: "As long as inflation continues, generics will be around."

Only one response, from the vice president of a Canadian chain, was enthusiastic.

"Just about every product we have listed has become top volume in the category," he reported.

One interesting finding was the deflated importance the grocery execs gave to consumer pressure about rising prices.

Last year, 24.6 percent of the respondents ranked that issue as critical. In this year's survey, the percentage fell to 10.6 percent.

The finding seemed to reflect consumer awareness that food cost is now less of a contributor to the inflationary spiral.

In other words, the heat is off—for now. ■

Q. "Are you getting any serious competition from any particular type of grocery store? If yes, which type?"

Getting serious competition	Number of Replies	Percent of Response
Yes	37	78.7%
No	10	21.3
Total	47	100.0%

Type (if yes)	Number of Replies	Percent of of YES*	Response of ALL
Superstores (over 35,000sq.ft.)	17	45.9%	36.2%
Warehouse stores	14	37.8	29.8
Limited assortment stores	4	10.8	8.5
Intermediate stores (25,000-35,000 sq.ft.)	3	8.1	6.4
Conventional supers (to 25,000 sq.ft.)	3	8.1	6.4
Convenience stores	2	5.4	4.3

*Does not add to 100% because of multiple replies.

Q. "Of the food stores you own/operate, how many will have 'scanning' by year end 1979? By year-end 1980*?"

(based on 47 replies)

	Percent of Total		Number		Percent Change
	1980*	1979	1980*	1979	'80*-'79
Stores					
With scanners by year-end	48.2%	17.7%	393	137	+186.9%
No scanners by year-end	51.8	82.3	422	637	-33.8
Total	100.0%	100.0%	815	774	+5.3%
Companies					
With scanners by year-end	76.6%	38.3%	36	18	+100.0%
No scanners by year-end	23.4	61.7	11	29	-62.1
Total	100.0%	100.0%	47	47	

*Expected

Q. "Do you carry GENERIC items in your stores?"

(based on 44 replies)

	Number of Companies	Percent of Response
YES	22	50.0%
NO	22	50.0
Total	44	100.0%

Q. "If you carry GENERICS, are you likely to increase, or decrease the number of items you carry in 1980?"

(based on 22 replies)

	Number of Companies	Percent of Response
Increase	11	50.0%
No change	7	31.8
Decrease	4	18.2
Total	22	100.0%

Q. "Please indicate whether you agree with each of the following statements on GENERAL MERCHANDISE and HBA in supermarkets."

(based on 47 replies)

	Answer YES	
	Number of Replies	Percent of Response
"Supermarketers should stick to foods. It is the merchandise they know best."	4	8.5%
"Supermarketers should expand GM/HBA offerings since they are the best route to growth and have greater profit margins."	35	74.5
"Supermarketers should do a better job of weeding out slow-moving GM/HBA items."	43	91.5
"When we add GM/HBA in existing stores, space is usually taken away from food categories."	27	57.4
"Supermarketers should handle better-quality GM."	31	66.0
"We are becoming too competitive in HBA. Margins have eroded. If we aren't careful, the same thing will happen to other GM."	30	63.8
"In our larger stores (over 24,000 sq. ft.) we expect GM/HBA to account for 30% - 40% or more of the profits."	11	23.4

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